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[Note.—An asterisk (*) at the commencement of a speech indicates revision by the Member.]

II.—STATEMENT BY A MEMBER MOVING A CUT MOTION FOR HIS ABSENCE AT THE TIME OF VOTING.

Mr. BASHEER AHMED SAYEED:—“ Mr. President, Sir, my attention has been drawn to the observations that fell from the Chair the other day in connexion with my motion to reduce the Demand for Legislative Bodies by Rs. 100 on the afternoon of the 14th instant. I hasten to assure you, Sir, that nothing was farther from my mind than to show any discourtesy to this Honourable House or to the Leader thereof, and least of all to the Chair. You are well aware, Sir, that myself and persons similarly situated have, besides discharging the responsibility, as public men, of helping the Government in carrying on the administration of the country, also to discharge the onerous duties, as professional men, of helping the courts of law in the administration of Justice. If occasionally, Sir, I am called away from one sphere of activity to another, I need hardly assure you that it is in spite of my best endeavour to avoid such absence, rather than any intention on my part to be so absent; and it is not without much regret and anxiety that I go away on such occasions. I am indeed sorry, Sir, for my unavoidable absence from the House on the occasion in question; and I am also sorry that owing to my absence, I could not express my regret on an earlier occasion than this.”

III.—MOTION UNDER RULE 24-A OF THE MADRAS LEGISLATIVE COUNCIL RULES—IMPOSITION OF EXCISE DUTY ON SUGAR AND MATCHES.

* Dr. P. SUBBARAYAN:—“ Mr. President, I move—

‘ that this Council is of opinion that the imposition of an excise duty on sugar and matches is undesirable and that it is prejudicial to the interests of this Province.’

I must thank you, Mr. President, and the Member of Government in charge of this portfolio, for having given the House an opportunity of discussing this motion.

“ Hon. Members may remember that similar motions have been passed in some of the Provincial Legislative Councils and this step is being taken by Members of the Provincial Legislative Councils in order to bring home to the representatives of the Provinces on the Assembly, the general feeling in the country about the imposition of this excise duty especially on sugar. The Sugar Committee, which was presided over by Sir Reginald McKenna, reported as far back as 1920, but action with regard to that report was only taken about the year 1928 or 1929. Even then the question of tariffs or protection was not considered and the question of protection was specially referred to the Tariff Board in the year 1930. They reported on the 29th of January 1931. They say in their report considering the problem of sugarcane in India—

‘ It may be stated at the outset that the expansion of the sugar industry in India is an indispensable adjunct to agricultural development. At all times, cane cultivation occupies a prominent position in the agricultural economy of

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India and particularly at the present time when owing to the general world depression the prices of almost all alternative crops have fallen to an unremunerative level. It is of the utmost importance that the area under cane should not diminish and the real problem before us is to provide an outlet for the larger quantities of cane which may be expected from the introduction of improved varieties.'

So, you will see, Mr. President, that the Tariff Board who carefully went into this question felt that some amount of protection was necessary in order to encourage the Indian sugar industry and also in order to make it a possible alternative crop to the agriculturists. Now, with the fall of prices both of paddy and wheat, especially in the matter of wet cultivation, sugarcane has proved an alternative crop. They therefore say in regard to the substitution of sugarcane, compared with the other crops:

'The yield of crops grown after sugarcane is, generally speaking, considerably higher than that after other rotation crops. We have been told for example that in the United Provinces improved types of wheat grown after sugarcane give a yield of 30 maunds as against 20 maunds when the same type is grown after other crops.'

Therefore, the importance to the agriculturist of sugarcane as an alternative crop is well understood. They also recommend at page 38 of the report:

'For the reasons given, we are satisfied that the three conditions laid down by the Fiscal Commission are fulfilled and that the claim to protection of the sugar industry in all its branches except that of refining has been established.'

On this report, the Government of India took action, and I believe levied a duty which was even higher than what was recommended by the Tariff Board. But, with the provision in the present year's Budget of an excise duty of Re. 1-5-0 per maund on sugar, the protection to that extent will be taken away; and the price of Java sugar has also considerably fallen owing to the exchange ratio. Taking all together and the recommendation of the Tariff Board, this is what they say in their recommendation, No. 24:

'Prices have however touched as low a figure as about Rs. 3-8-0 per maund landed at Calcutta ex-duty and it appears to us not unlikely that in circumstances of exceptional competition or for special reasons Java manufacturers might be prepared to land their sugar in Calcutta at as low a figure as Rs. 3-4-0 per maund.'

And they go on to state in recommendation No. 27:

'We propose therefore that the assistance given should be by way of duty. In order to enable the industry to face initial difficulties and to safeguard the position of the manufacturer of indigenous sugar by the *bel* method in Rohilkhand we propose that for the first seven years the duty should be fixed at Rs. 7-4-0 per cwt. and for the remaining period at Rs. 6-4-0 per cwt. The total protection thus granted would be approximately the same as would result from the imposition of a duty of Rs. 6-9-3 for the whole period of protection.'

They also recommend that:

'Should market prices in Calcutta in the future fall below Rs. 4 without duty, a further duty of 8 annas per cwt. should immediately be imposed.'

Therefore, it will be seen, Mr. President, that the protection given is just enough to compete with foreign sugar in the Indian market. But with the imposition of this excise duty, it will not be possible to compete

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with foreign sugar, and nascent industries which have been started after the recommendation of the Tariff Board fully expecting that this protection would enure to their benefit for the next fifteen years, as recommended by the Tariff Board, would be hard-hit and they would find it difficult to make both ends meet with Re. 1-5-0 per maund imposed as excise duty. I quite understand that the financial position of the Government of India is such that they cannot do without imposing further taxation, especially if their Budget is to be balanced; and I am sure hon. Members of this Council would sympathize with that contention, because with the impending Constitutional Reforms, it is but right that the financial position of the Government of India should be such as to appeal to all international markets and show to them that we are financially sound. Therefore, Sir, I quite understand that the Government of India have to find out some method by which their deficit could be made up. But at the same time they also ought to take into consideration the nascent industries of this country. I have put down in the motion both sugar and matches—but I hope other hon. Members who follow me will deal with the question of matches. I am really interested in sugar, because in this Province, I think, the sugar industry is of greater importance than that of matches.

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“With the Mettur irrigation scheme also coming into effect and the Government finding it impossible to collect the revenue that they have imposed in the matter of water-supply with regard to the Mettur irrigation, I think it is in the interest of the Government as well that this alternative crop should be largely grown by the ryots. In the first place, this is a crop which is very easily marketable if there are a number of sugar factories in this Province and, if protection for fifteen years is assured as is recommended by the Tariff Board, I am certain that there will be an inducement to the ryots to grow this alternative crop in preference to paddy because the price of paddy has already fallen and is to a certain extent still falling. I feel sure that it will be in the interest of not only the Provincial Government but also of the Imperial Government to support this industry, because, when there is industrial expansion, and the sugar factories that are built pay large dividends, the Imperial Government will get a benefit by way of increased income-tax. Therefore, I hope that the Imperial Government would find some alternative method for balancing their Budget and keep the protection for sugar at the same level as has been done by the imposition of protective duties after the recommendation of the Indian Tariff Board. With these few words, I propose this resolution for the acceptance of the House.”

* Mr. M. A. MUTHIAH CHETTIYAR:—“Mr. President, Sir, I rise to support the resolution so ably moved by the hon. the Leader of the Opposition. I should thank His Excellency the Governor for the opportunity afforded to this Council for discussing this motion at this time. This excise duty comes to us as a thunderbolt. This is a new and growing industry. The protection given to sugar served as a fillip

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and so many merchants and even non-merchants have taken to this industry. This excise duty is keenly felt by not only the old factory-owners but also by those who have ordered for machinery.

“The protection to sugar is a very old question. Ever since 1920, the attention of the Government of India was drawn to this question. The Government of India first appointed a Special Officer to collect all relevant data and statistics and soon after came the investigation by the Sugar Committee presided over by Mr. J. Mackenna and in its later stages by Mr. F. (now Sir) Noyce. The question placed before the Committee was this: ‘while India should be in a position, as she was in the past, to produce a surplus of sugar for export, why is she obliged to supplement her own supplies by increasing imports?’ But, as is the case with so many reports, the report of this Committee lapsed into oblivion. When the Government began to give support, the Tata’s started an ambitious scheme. Its Rs. 10 share went up to Rs. 50 premium. But within a short time the concern came to grief; and the progress of the sugar industry was for a time retarded.

“The Leader of the Opposition has explained how a protection to sugarcane cultivation and sugar industry will help the ryots as well as the Government—Provincial and Imperial. The yield per acre is much greater than paddy; and if some protection is given, I am sure every one here who is interested in this line will agree that the quality and volume of the industry will be capable of much expansion. But not even the high revenue duties which stood as high as 25 per cent from March 1922 to May 1925, Rs. 4½ per cent from February 1925 to February 1930 and Rs. 6 per cwt. from 1930 to March 1931, could induce the sugar industry to take a firm root in the soil. The Indian Tariff Board went very deeply into this question and recommended that protection should be given to this industry in an adequate manner and that the period of protection should be extended to over not less than fifteen years. The Committee also recommended a duty of Rs. 7-4-0 per cwt. It is very gratifying to note that the import which stood at 9 lakhs of tons in 1930 has come down to 3 lakhs of tons in the year 1933. The value of sugar machinery imported in 1930-31 was only less than 14 lakhs. It, however, increased to 30 lakhs in the following year, to 153 lakhs in 1932-33 and to just under 4 crores in the year 1933-34. In 1921-22, the sugar factories in India produced only 28,250 tons, by 1929-30 in gradual stages the production reached 90 thousand tons. It jumped to 155,000 tons in 1930-31 and the estimate for 1933-34 is somewhere about 600,000 tons. It is now clear how, with the protection given to the industry, it has grown. It is estimated that not less than 60 new ventures have entered the field in the last two years. Hon. Members will certainly agree that the growth in the industry will result in increased revenue to the Government. A vast amount of capital has been sunk into this industry. Particularly in this Presidency nearly all the sugar factories promoted under the era of protection are just only starting production or only just setting up the plant and machinery.

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“ Let us examine the data on which these flotations have been based. They are mainly based on the hopes raised by the recommendations of the Tariff Board and the consequent duty imposed by the Government of India—Rs. 7-4-0 per cwt. It is interesting to note that, when they reported, they envisaged a fall in price of Java sugar and they have said that a further duty should also be imposed. They stipulated that in case the price should fall below Rs. 4 per maund, the Government should immediately follow it with an increase of import duty by 8 annas per cwt. Just as the Leader of the Opposition pointed out, they even mentioned that Java would be able to dump sugar in India at Rs. 3-4-0 per maund as early as 1931; it is significant to note that the present price per maund is somewhere about Rs. 3-2-0. When that is the case, when the price of sugar has fallen much below the level anticipated by the Board, the Indian manufacturer is certainly entitled to be protected beyond the limit laid down by the Tariff Board, i.e., something in addition to Rs. 7-4-0 the ordinary duty and the surcharge of Re. 1-5-0 thereon.

“ Another serious miscalculation into which the Indian Tariff Board was led at the time of their report in 1931 was as regards the ability of the Indian manufacturer to sell his molasses which is a by-product. The Tariff Board thought that he would be able to sell it at Rs. 1-8-0 to Rs. 2 per maund, while to-day he is faced with the dire necessity of spending from his pocket to get rid of his molasses. It must be clearly understood that for every 9 parts of sugar produced there are 4 parts of molasses produced, which have become a bugbear to the Indian sugar manufacturer. This is another argument in favour of the sugar industry to cry for more relief and protection. On the facts I have mentioned it will be proper and more equitable if a further protective duty of somewhere about 8 annas were imposed. The fall in prices of the Java sugar justifies this. But the Government have sprung a surprise on the industry and the cultivators by imposing this excise duty.

“ I wish to say a few words about palmyra jaggery. The preparation of jaggery from palmyra toddy is a widespread cottage industry in Tinnevely and throughout the west coast. I can confidently say that tens of thousands of families are depending for their livelihood on this precarious industry. This jaggery is not used in any considerable measure for distillery and other purposes and there are only a handful of refineries which use this jaggery either alone or in mixture for sugar refining. The refining process is more costly and more difficult, while the work of collection of jaggery in small lots in scattered places is still more difficult.

“ I therefore feel that the imposition of the new excise duty is going to be a crushing burden upon these refineries causing misery and dislocation over a widespread area in these days of intense depression.

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“The Leader of the Opposition said he was leaving the question of match boxes to be dealt with by others. I am afraid I am not also in a position to speak in detail about this industry. It is spreading into a cottage industry throughout the Presidency. This duty of Rs. 2-4-0 per gross or 3 pies per box will be a great burden on the poor man who is already paying more than a due share of the revenue to the Government by way of taxes on many necessities of life. Needless to say, it will be very keenly felt. Hon. Members accustomed to smoking will realize what it will be to pay for one box more than twice we are paying now. I hope that hon. Members will join us in voicing our protests against this excise duty.

“This is a growing cottage industry which calls for support from the Government. We are not opposed to the Government of India levying surcharges on income-tax day in and day out. Last year the Hon. the Finance Member of the Government of India stated that the surcharge was intended to be operative till the 31st March 1934. They are to continue; I feel that it is like directing us to a wall on which it is written ‘till March next year.’ I do not know when we are going to have the surcharge of income-tax removed; but the safest thing to say regarding it will be that it is unlikely that it will be removed. They have gone on like this with regard to income-tax and they have now come up with this proposal. Let them balance their budget by all means; but it is their duty to see that nascent industries are protected and are not put through suffering.

“This Council may perhaps doubt its competency in regard to passing a resolution like this; but seeing that such resolutions have been passed by other Legislatures, hon. Members will support this resolution and bring home the feeling of this part of the country to the Government of India that the excise duty is very inequitable and that relief is needed for the sugar industry.”

* Mr. P. V. KRISHNAYYA CHOUDEARI:—“Mr. President, Sir, at present we have been enjoying a protection of Rs. 9-1-0 which consists of Rs. 7-4-0 being the basic duty and Rs. 1-13-0 surcharge. Thinking that the present charge is not sufficient, the Tariff Board recommended an addition of eight annas to the basic duty. Now, deducting the duty of Re. 1-5-0 from Rs. 9-1-0, the actual protection will be only Rs. 7-12-0 and not Rs. 9-1-0. Even with the high protective duties, it has been found impossible to compete with Java sugar. In his speech the other day at the meeting of Ministers of Agriculture held at Delhi, the Hon. Second Minister stated that one lakh of tons of sugar is being consumed in the Madras Presidency and out of that 50,000 tons of sugar are being imported from Java. Even with this high tariff wall, competition of Java is keenly felt in our Province and it will be still more difficult to compete with Java as a result of this excise duty. At the time when the Tariff Board examined this question, they fixed between seven to nine annas as the cost per maund of sugar-cane. The Hon. the Finance Member has stated in his speech, that any relief that may

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be given is not really going to benefit the cane-grower, but only the industrialist; and I am in entire agreement with him in that statement that this excise duty on sugar is not going to benefit the cane-grower. Now the cane-grower is given three to four annas per maund in the United Provinces and Bihar and not seven to nine annas as proposed by the Tariff Board. So, the margin of profit is taken away only by the industrialists and the factory owners. The policy of the Government evidently seems to be to give a portion of the benefit on account of the excise duty to the cane-growers and that is why they have proposed that out of the anticipated receipts of 144 lakhs by the imposition of the excise duty, seven lakhs would be given to co-operative societies. That is, out of this duty of Re. 1-5-0, about one anna, i.e., 1/21st part, would be given to the co-operative societies. If really Government are going to give relief to the cane-grower by way of bonus or rebate, I welcome such an excise duty. I may even say, it would be a very beneficial measure if out of this Re. 1-5-0 they keep only 5 annas for meeting the cost of collection of taxes, etc., and give Re. 1 for the cane-growers as it would help the cane-growers to a very great extent.

“ Sir, there are about 140 sugar mills in Bihar and Orissa and I think they would be quite adequate to meet the needs of the locality, but so far as the other parts of India are concerned, practically there are no mills at all. So far as the Madras Presidency is concerned, there is only one mill that is working—I mean Parry & Co. If the excise duty is imposed upon the old factories, it will not work as much hardship; but on the other hand, if it is imposed on new factories and those that are going to be started hereafter, it will mean that they may not be in a position to compete with old factories, for the old factories have already realized the capital they have invested and will be in a position to compete with the new factories and kill new enterprises that have been started in unrepresented areas. I may here point out that during the year 1928-29 about 600 lakhs of rupees worth of sugar was produced in this Presidency whereas in 1931-32 it was only 400 lakhs of rupees worth of sugar. That shows there has been a considerable fall in the production of sugar which is mainly due to lack of mills in our Presidency; and the cane-grower also is not in a position to grow cane. My point is that recently there has been an attempt on the part of some Rājas, like my Hon. Friend the Chief Minister, the Raja of Venkatagiri, the Raja of Chellapalli, to start some sugar mills in our Province; and I believe Mr. A. Ranganatha Mudaliyar also has started one such mill. Now, on account of the starting of these mills, the ryots will find a demand for their cane. As a matter of fact, most of the ryots in my part of the country where also cane is being grown, have been finding it difficult to export their cane or take it to a mill, mainly for want of a mill near to them. At present what they are doing is, they convert it into jaggery and sell it, or use it for chewing purposes.

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“ We have also to consider another important point and that is, the Government of India have been getting about ten crores in 1930–31 on account of import duties, but in the 1935–36 Budget they have provided only for two crores, which means even from the point of view of the Government of India, there has been a fall of about eight crores. I am sure the idea of the Government of India is to realize something out of this excise duty on sugar. If they were really anxious to get any money, it would have been better if they had taxed the old factories that had been already producing sugar and which had exploited the cane-growers in other Provinces, instead of taking new ones.

“ There is another point which I would mention in this connexion. About $48\frac{1}{2}$ million tons of cane is being produced in the whole of India, but out of this only $4\frac{1}{2}$ million tons are being manufactured into white sugar and $5\frac{1}{2}$ millions into khandsari, while the rest of the cane is being used in preparing jaggery and for chewing purposes. Now, Sir, if the price of sugar is reduced, I am sure people will begin to use white sugar in an increasing measure. Some people are under the impression that the consumption of sugar has reached its maximum, but considering the fact that about $38\frac{1}{2}$ million tons of cane is being consumed by our people in the shape of jaggery, if we can convert these $38\frac{1}{2}$ million tons into white sugar, I am sure we will increase the consumption of white sugar for the whole of India. This, in turn, will mean more revenue to Government.

“ Then, again, Sir, we are glad to note that the Madras Government have taken up in right earnest the question of an alternative crop for paddy, namely, sugarcane. No doubt we are thankful to the heads of both the Agricultural and the Industries departments for the interest they have been taking in the matter and for doing propaganda work all over the country. The result is that at present large quantities of sugarcane are being produced at present in our Presidency. I therefore request the Government of India, if really they insist on keeping up to the proposed excise duty, to allot a larger proportion to the co-operative societies than what they are proposing to give, namely, one anna.

“ Now, coming to the duty on matches, we are no doubt thankful to the Hon. the Finance Member of the Government of India for proposing to reduce charges on telegrams and reducing the cost of postal envelopes. These two items will only go to benefit more the merchant classes and the educated classes than really the agriculturists. The poor agriculturist is already paying so many taxes and in addition the excise duty on salt also has increased and these things touch the poor man. I therefore request the Government to see that the poor man is not further burdened by the imposition of the excise duty on matches, as this will also tell heavily on the poor consumer. If, on the other hand, the Government of India feel that they will not be in a position

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to balance the Budget on account of the reduction of the duty on matches, I have no objection to levying As. 1-3 for postal envelopes, instead of imposing a duty on matches.

“ With these few words, I support the motion of my hon. Friend, Dr. Subbarayan.”

* Mr. A. RANGANATHA MUDALIYAR:—“ Mr. President, Sir, my hon. Friend, Mr. Muthiah Chettiyar, referred to the fact that no less than sixty new factories have been opened or are under construction during the last two years. So far as our Province is concerned, at least seven factories have been started or are in the process of completion, not to mention about the factories outside the British Province. But, I can say with reference to all these, that not one of them has been started, without a strong belief that the assurance contained in the Government of India taxation proposals already before us would continue for ten or fifteen years. It was, Sir, on the strength of those assurances that each of the new factories has been ushered into existence. So, I feel, Sir, that if the spirit of these assurances is not adhered to, to that extent, it would mean undermining the stability and progress of the new factories. My friend also referred to the policy underlying the contention of the Government of India that the new excise duty will not seriously affect the indigenous industries. I would here like to quote what one of the leading newspapers of India says regarding the implications of this surcharge. It says that the effect of this will be that Java sugar will sell at Calcutta at Rs. 3 per maund plus the protective duty and surcharge of Rs. 6-10-0, that is, Rs. 9-10-0 per maund; while the Indian sugar will have to sell at Rs. 9-12-1, a price higher than that at which Java sugar will be able to sell. So far, Sir, for the preference which is said to be shown by the Government of India to indigenous sugar. He also referred to the difficulty of getting rid of the molasses. The Tariff Board categorically said that these molasses might be assumed to fetch a certain minimum price. Every one knows that there is utmost difficulty in finding a use for these molasses and that it is not possible to get the value which the Tariff Board expected from the molasses. I think the Government of Madras shall have to come to the rescue of the factories established in this Province and try to give whatever help they can, impartially and in an even way, to all of them.

“ Sir, reference has been made to growers of cane and my hon. Friend, Mr. Chowdari, referred to the fact that I am also associated with a factory. As hon. Members are aware, I am not a financier and, if I did take part in this business and try to help in its establishment, it was because of my desire and anxiety and the belief that these factories would some how or other help the sugarcane growers. I may tell at once that financially I am not going to have any benefit, for my share in the profits is next to nothing, because apart from the maintenance allowance I may need, I do not expect to get anything more.

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“ It may be in the eyes of some, a matter of shame that even after being a Minister, I should still be dependent on a monthly allowance for my maintenance. If it is so, I plead guilty to it. When I found that the price of jaggery was getting lower and lower, I thought that the only chance for the sugar-cane growers of my district was to found a factory which could purchase their cane and pay a higher price, higher than what they would be able to get by the process of converting the cane into jaggery. That alone was my incentive to assist in the flotation of the company. I am working out a plan which would enable the grower to get a share in the profits which the factory or the company may get by virtue of an increase in the price of sugar. All these hopes will be dashed to the ground by the imposition of the proposed excise duty. It will be exceedingly difficult, if not impossible, for me to pursue such a policy hereafter. I should have welcomed any measure of the Government by which the cane cultivator would have some profit in the business. On the other hand, the actual effect of their present policy will be to throw the helpless grower into the hands of the capitalist. The interests of the consumer, of the grower, and the factory-owner would be served best by considering that each is dependent upon the other. I am not sure whether the Government of India mean that the sugar refined out of jaggery should be exempted from the excise duty. If that also comes under excise duty, I am afraid many of the jaggery refineries, nay almost all of them, will have to close their business. I may also say, Sir, that there is a feeling of doubt and mistrust on the part of the public as to why this excise duty should be thought of at this juncture. Why should they have just a year or two ago given so much of encouragement with one hand and take that away now with the other hand? Is it because that there is no more industry which could be helped by continued protection? Have they got all that they could get for the British manufacturers and is there nothing more to be done for them? I do not think it right for the Government to be effecting such drastic changes in their policy at such short intervals, which really cut at the root of the new factories, mostly of Indians. I hope that the debate of this House will have some effect on the Government of India and make them reconsider their decision in this matter.”

* Mr. F. BIRLEY:—“ Mr. President, Sir, I very much regret I cannot give my entire support to this motion. I could support a motion to the effect that the imposition of an excise duty at the rates that are now proposed is undesirable not only to this Province, but to the whole of India. The protective duty on imported sugar still remains exactly as it was as recommended by the Tariff Board, namely, Rs. 7-4-0 per cwt. Last year 25 per cent was added to the protective duty for revenue purposes making it Rs. 9-1-0 and as previous speakers have noted, it was understood that if the price of Java sugar fell below Rs. 4 per maund, an additional protection of 8 annas would be given. Had it not been for the fact that Java sugar has already fallen below Rs. 4 per maund, the excise duty would probably have been Rs. 1-13-0

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instead of Re. 1-5-0. But as previous speakers have pointed out, the calculations as explained in the report of the Indian Tariff Board on the sugar industry took into account that in the cost of production, molasses had a sale value at As. 14-6 per maund; now actually molasses has almost no market value whatever so that in the calculation of the cost of production of sugar, it is quite impossible to take anything on the credit side for the sale value of molasses. To that extent then the excise duty is in excess, but it should be a simple matter to adjust the duty from Re. 1-5-0 down to a figure that would be equitable assuming that molasses has no market value. Considering the matter from the point of view of the Madras Presidency—it is argued that there has been no overdevelopment of the sugar industry in the Madras Presidency and I may say at once that it is quite obvious that the two objects of the Government of India in imposing this excise duty are: (1) for revenue purposes and (2) to retard or to put a brake upon the too rapid development of the industry in the country. As the hon. the Mover of this motion said, we should be very careful and we should think very long and carefully before we criticize any measures which will actually produce revenue, taking all material circumstances in the present financial situation into account.

“In the second place, I think it is felt by this House and by industrialists generally in the Madras Presidency that whereas the rest of India has certainly developed the industry much too rapidly, the Madras Presidency has not gone on too quickly and there is as yet no necessity to put a brake on the development of the industry in this Presidency. But unfortunately, the Hon. the Finance Member of the Government of India is unable to legislate for individual Provinces. He has to legislate for the whole of India.

“If the Government of India, as the result of protests which they will inevitably receive from the sugar industry throughout the country, agree to moderate their original proposals in regard to the rate of excise duty, their revenue estimates will naturally be affected and as their present proposals do not include any excise duty on Khandsari sugar, I would suggest that the short fall involved by reducing the rate of Re. 1-5-0 per cwt. to a more reasonable figure should be adjusted by making the Khandsari manufacturer pay equally with the factory owner. It is contended that the manufacturer of Khandsari sugar represents a very poor class who should be exempt from the payment of the excise duty. But I would submit that exactly the same argument applies to the manufacturer of sugar from palmyra jaggery, an industry which supports several lakhs of tappers and their dependents in this Presidency and which would be effectively killed if this excise duty is applied to it. The Hon. the Finance Member's proposals do include white sugar manufactured from palmyra jaggery. I strongly recommend that the excise duty should be made to apply only to cane sugar and not to the palmyra jaggery industry in this Presidency. I am assured by experts that there is no practical difficulty about the exemption

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from excise duty of white sugar manufactured from palmyra, because the processes adopted in the manufacture of sugar from cane and palmyra jaggery are entirely different and are undertaken at different periods of the year, the factories being shut down between the two seasons.

“ Another point which is very important from the point of view of the manufacturer is that the present proposals are to effect on sugar issued from the factory as from 1st April. This should most certainly be amended to refer only to sugar manufactured from that date, because most of the sugar factories carry their stocks in the factories and there are stocks of sugar in the factories which under the present ruling will have to pay excise duty and which were manufactured before the excise duty was even thought of. Just imagine the result of it. If the duty is to apply to all sugar issued from the factories as from the 1st of April, the inevitable result will be that factories carrying stocks of sugar which were actually manufactured before that date must put the sugar on the market during the current month and the result will be chaos in the sugar market. The sugar will be dumped and there will be a glut of sugar in the market. Another important point from the point of view of the sugar manufacturer and the industry in general is that this excise duty is obviously based on the fact that there is at present a 25 per cent surcharge on the revenue duty of Rs. 7-4-0. It should be stipulated in the Bill that this excise duty will only continue to be levied so long as the 25 per cent surcharge exists. Otherwise, the Indian industry will certainly not be adequately protected against foreign competition.

“ With reference to the match industry, it appears that the manufacturers of matches in India had been for some time expecting a duty of this kind. They never anticipated that they would be able to carry on under the very sheltered position which they at present occupy. It was obvious that Government, having imposed an import duty which is actually higher than the cost of manufacture of matches in India, would eventually have to find methods of replacing the revenue which they had lost owing to the duty having been fixed so high that it produced no revenue. I am credibly informed that in the last few years not a single match has been imported into India. Therefore the import duty on matches is a dead letter so far as revenue is concerned. For this reason the local manufacturers expected that sooner or later the Government of India would impose this excise duty. Though this excise duty on matches may be undesirable from the point of view of the manufacturer whom it affects, from the Government of India's point of view and from our point of view as tax payers it is necessary to replace the lost revenue. I hardly think therefore that the excise duty on matches can be said to be undesirable. It is only just as undesirable as any other tax! I fear however that a duty of Rs. 4-2-0 per gross will be found to be so high that it will reduce the consumption of matches to such an extent that not only will the revenue which the Government expect to get from matches

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be very much smaller than their anticipations, but the industry itself will be seriously injured by a reduction in consumption caused by this heavy duty. Another probable effect of this high rate is that it will kill the small man. Under the present sheltered conditions which the industry enjoys the small manufacture has been benefited. If the excise duty is levied at the proposed rate and if the manufacturer is made to pay cash for the excise duty, taking into account the fact that he sells his matches on credit, it will mean that he will have to double his capital immediately. The small manufacturer cannot do this and I am afraid the inevitable result will be that he will go out of business."

* Diwan Bahadur A. APPADURAI PILLAI:—" Mr. President, Sir, the motion before the House is a very important one from the point of view of the cultivator and also from the point of view of the industrialist. The House is already in possession of the information regarding the present basic protective duty as well as the surcharge hitherto levied by the Government of India. For a ton of sugar imported into India, the present rate is Rs. 181-4-0 including the basic protective duty which is Rs. 145. Twenty-five per cent of the surcharge on this basic duty of Rs. 145 makes it Rs. 181-4-0. At this rate Java has been able to export a great deal of sugar into this country and make a profit. Java sugar as seen from the reports published in the papers sells at Rs. 272-8-0 per ton at Calcutta. That means Java actually gets Rs. 91-4-0 per ton of sugar and from this sum it is able to make a profit. If, Sir, an excise duty of Re. 1-5-0 is imposed on every hundredweight of the locally manufactured sugar, it means that the local manufacturers will have to pay Rs. 26-4-0 per ton of sugar produced by them. It may be mentioned in passing that the Government of India, have made it clear that they would increase the protective duty from Rs. 7-4-0 per hundredweight to Rs. 7-12-0 and fix the excise duty at Rs. 1-5-0 per ton thus retaining the original figure of Rs. 181-4-0 as a tax. Some of the persons who are actually engaged in the manufacture of sugar in Southern India expect that even after paying the excise duty the local producer will be in a position to make a fair margin of profit. The Indian sugar sells ordinarily at Rs. 10 per ton lower than the Java sugar. Java sugar is considered superior to Indian sugar in the matter of colour, fineness, etc. This is apparently due to the fact that Java has been engaged in the manufacture of sugar for the last so many years, and consequently she is perhaps able to manufacture a better stuff than the Indians. Naturally this accounts for the lower selling price of Indian sugar. If Java sugar sells at Rs. 272-8-0 per ton Indian sugar must sell for Rs. 262-8-0. Now the question for consideration is, whether our manufacturers after paying the excise duty of Rs. 26-4-0 per ton, will be able to get a profit. Sir, some local producers assured me that they would be able to do so. But will there be competition from Java in spite of this protective duty and surcharge? I am informed, Sir, that it will be possible for Java to place sugar in India so long as the price does not fall below Rs. 250 per ton, while it will not be possible for the Indian manufacturer freed from the

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protective duty to make a profit. The point is that the excise duty as contemplated by Sir George Schuster works out exactly at 10 per cent of the sale price. This 10 per cent, if it is taken out of the hands of the Indian producer, will affect the managing agents. Between 10 per cent to 12 per cent dividend will also be available for the share-holders, but the managing agents who have been making a great deal of profit in connexion with the manufacture of sugar will not hereafter get it. It is they who will be hard hit by the proposal to levy this excise duty. The cane grower will not be affected since the Government of India contemplate, side by side with the imposition of the excise duty, the introduction of an Act to safeguard the interests of the sugarcane growers by fixing a minimum price for sugarcane.

“ The proposal for the time being is to allow discretion to the Local Government in the levy of price. If this Bill is to become law the sugarcane growers will be protected while the managing agents will be deprived of their income. To that extent the Bill will be beneficial; for it does not encourage the managing agents, the middlemen, to appropriate a great deal of profit, which legitimately ought to go to the general tax-payer or the manufacturer or the sugarcane grower. 12-15 p.m.

“ So far as Southern India is concerned, sugar industry is in its infancy. The Government of India started a series of experiments and research in Coimbatore, and they attached a great deal of importance to the cultivation of sugarcane. We have heard in season and out of season that it could be grown as a substitute for paddy, and as a matter of fact, very recently we have been witnessing people taking to the cultivation of sugarcane in large numbers. This is clear from the statistics of crop outturn. Hitherto the acreage under the cultivation of sugarcane on an average has been 100 lakhs, and it has now risen to 120 lakhs. Of late side by side with the imports from Java, there has been an increase in the cultivation of sugarcane, as people have come to realize that paddy is not so remunerative as it used to be before. After having done so much to divert the attention of the ryots to sugarcane cultivation, if the Government of India are to levy excise duty on indigenous sugar surely it will discourage the extension of cultivation of sugarcane. I said in the beginning that the sugarcane growers would be safeguarded with the fixing up of a minimum price. Even if this is done, the moral effect of the proposed duty will be to discourage sugarcane crop. It may be within the knowledge of several Members of this House, that Government have for some time been carrying on very valuable experiments at Coimbatore; one of which was that of grafting sugarcane to cholam stock. They found that this new variety grows quickly, it takes less time, it takes less water, it involves less cost in crushing while it is rich in sugar contents and that the yield is more. Seeing these experiments, some capitalists have come forward and have sunk their money in the development of this industry. Is it possible to assume that this excise duty will have no effect whatever upon them? As we all know, Sir, sugarcane has become a lucrative crop in this

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Presidency quite recently. Besides, the consumption of sugar in this Province is about 50,000 tons a year. The question is how this demand is met. There is only one factory at the present day in the whole of the Presidency, and that is at Nellikuppam. It is turning out something between four to five thousand tons of sugar. There are two refineries—Samalkot and Aska, but the quantity of sugar produced is negligible. It is expected that from the proposed sugar factory of Mr. A. Ranganatha Mudaliyar at Hospet it will be possible to put on the market some four to five thousand tons of sugar, and thus at the utmost, the output of indigenous sugar will be only ten thousand tons. The balance of 30 or 40 thousand tons of sugar will continue to come from Java unless the Madras factories make up the supply. So, Sir, until a sufficiently large number of capitalists are encouraged to float companies for the manufacture of sugar and until a sufficiently large number of acres of land are brought under cultivation for sugarcane, it is better the Government of India refrain from imposing this excise duty. I am sorry I am taking more time than I ought to do.

“Coming to ‘matches,’ Sir, ‘matches’ have a history of their own. The match industry has been going on for a very long time in this country, for the simple reason that it is a very easy process. The House will be pleased to hear that match is one of the industries which is being carried on as a cottage industry in this country. If one goes to Vellore he will find scores of houses engaged in match manufacture, simply because the process is very easy and the industry brings in a small income. The wood necessary for splints and veneer comes from the Malabar and Travancore forests.”

* The Hon. the PRESIDENT:—“As a very large number of hon. Members are anxious to speak on the resolution and as there is only one hour before us, I request the hon. Member to conclude his speech soon.”

* Diwan Bahadur A. APPADURAI PILLAI:—“Sir, there is an import duty of 15 per cent on matches. In order to escape this duty the Western India Manufacturing Company have established a number of match factories in some of the Provinces, and one such is located at Tondiarpet, where Wimco matches are being manufactured and sold. I have match boxes prepared by them in my hand, which sells at Rs. 3 and at Rs. 2-4-0 per gross, as compared with Re. 1-4-0 per gross boxes of the indigenous make. In other words we get the Wimco match-box at 3 pies per box now but with excise duty it will come to 6 pies per box, which I need hardly say will be prejudicial to the interests of the poor and the lower middle classes. I find from the Government of India proposal, that they are not willing to exempt matches produced on a cottage industry basis from taxation. In quite a number of places in Coimbatore, South Arcot, North Arcot and Chittoor districts the people have been carrying on this cottage industry. And if the duty of Rs. 2-4-0

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is to be imposed it will mean 3 pies on every box, and when it comes to the market it will have to be sold for 6 pies. Thus I need hardly say that the imposition of the excise duty will hit the people very hard and will kill the cottage industry. It may be that the Tariff Board has recommended such a procedure. But it is up to the Government of India to see that such a drastic step is not taken. For these reasons I have great pleasure in supporting the motion brought forward by my hon. Friend, Dr. Subbarayan. (Opposition cheers.)”

* Rao Bahadur T. A. RAMALINGAM CHETTIYAR:—“ Mr. President, Sir, if I support the motion before the House, it is on two grounds and only on those two grounds. The first ground is this. I am sorry that of all the goods on which a surcharge is collected, sugar should be selected for this excise duty. And excise has got an unfortunate history in this country. It remains much longer than is really wanted or necessary. We are surprised to see that of all industries, sugar industry should have been chosen for this excise duty. If on the other hand Government had said that they were going to levy an excise duty on all goods on which a surcharge is levied, probably there would have been then less ground for complaint.

“ My second reason for supporting this resolution is this. Even the Tariff Board has said that the agriculturist should get 7 annas per maund of sugarcane supplied to the factories. But at present he does not get anything like that. He gets only about 50 per cent of it in some places. So, Sir, there has been a persistent demand on the part of the agriculturists that a minimum rate should be fixed for the sugarcane supplied to the factories. Only two months back, by the courtesy of the vice-Chairman of the Indian Agricultural Research Council I was able to attend the sittings of the Sugar Committee of the Council for two or three days. There I found an insistent demand from ryots representatives that it is high time that Government passed legislation fixing a minimum price on sugarcane supplied to the factories. Now the effect of this excise duty will be to put off fixing the price for supply of sugarcane to factories. For the factory owners having to pay this excise duty will naturally complain that this is not the time when any legislation should be passed with reference to the fixing of price on sugarcane. So it seems to me that the agriculturist is indirectly affected by this excise duty. This is probably the strongest reason against the imposition of the excise duty. At the same time I should warn the people that they are multiplying factories in a very, if I may say so, thoughtless manner. It has been said that most of the factories that are being started are uneconomic units. The Tariff Board has said some time ago that an economic unit will be a 400-ton factory. But what do we find here? We find factories started with a capacity of 50 tons; and only some are 150-ton factories. These, according to the Tariff Board, will be uneconomic units. Most of them are growing under a system of protection, and they will insist on

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protection even when the time comes when there will be no need for such protection. So, Sir, I think that a warning is necessary that the factories which are projected, especially in Southern India, are uneconomic units and it is not very safe for them to come into existence. On the other hand I should say that so far as conditions in Southern India are concerned, it is cottage factories that have got a better future. I mean factories like those existing in Rohilkhand and elsewhere and they are likely to work successfully. We have tried the experiment in some places. We find that the cost of sugar produced per pothi, i.e., 10 maunds came to Rs. 26 or Rs. 26-8-0 at the beginning of this year, but the price that could be fetched in the market was Rs. 30. So there was a margin of between Rs. 3-8-0 and Rs. 4 for the agriculturist. Establishment of Khandsari factories seems to be the fair way of dealing with this question so far as Southern India is concerned because there are not many places in which we have got a sufficient supply of sugarcane to maintain what is called the economic unit, viz., 400 tons per day of which the Tariff Board has been speaking. It seems to me that it is clear that the Government should not impose these duties on cottage factories in villages wherever it is possible to have them. So, Sir, I would point out to the Spokesman of the European Group who said that duty should be imposed on Khandsari sugar and the duty on factory sugar should be reduced that it is well known that the agriculturer is producing sugar at the Khandsari factory at a cost higher than that at which it is produced in bigger factories. It is also well known that the Khandsari sugar fetches something less than what the factory sugar fetches in the market. Therefore to say that excise duty should be revised in such a way that the larger factories should pay less and that Khandsari factories should also be charged is a matter which nobody in this Council will accept. I may also say, Sir, that with the new method of utilizing the activated charcoal as the agent for the manufacture of sugar found in the Agricultural College for the production of white sugar probably we are going to have a new method of manufacture which will be better than the Khandsari method and much cheaper. In this method of using activated charcoal we will be able to produce as good a sugar as we can produce from the old method of making white sugar. I have seen that method tried in one of the villages and I found that the sugar that we got was very much like Bura or white sugar as we used to call it. This sort of sugar may be used by a larger number of people than the other kind of sugar.

“ So, Sir, I would point out that the proposals of Mr. Birley are likely to affect the agriculturists in the manufacture of sugar by the country method and such proposals have to be looked upon with disfavour. I want to warn this House on this point because the hon. Member spoke that excise duty should be revised in such a way as to affect the Khandsari sugar also. I think we should make it clear in this House that we will not be a party to any such proposal. With these few words I support the motion brought forward.”

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* Rao Bahadur Sir A. P. PATRO:—“ Sir, it is a very difficult case. I generally agree with what the hon. Mr. Birley said in regard to this resolution. But before going into the merits of imposing excise duties, I would call the attention of the House to two preliminary points for their very careful consideration. Excise duties are intended to help two Provinces. Excise duty on sugar is mostly intended to make up for the deficit in Budget as the Government of India propose to pay to the Bihar Province. Distress in Bihar is universally accepted, but the Government of India think that by raising this excise duty on sugar they will be able to make up their Budget in such a way as to provide for the urgent needs of Bihar. Then the duty on matches is intended to help Bengal, Bihar and Orissa and Assam. Part of the excise duty on matches will go to improve the revenues of Bengal, another part to Bihar and Orissa and the rest to Assam. Export duty on jute is the central source of revenue. That source is to be given up and in its place they want to substitute these excise duties in order to make up the deficit. The question that will arise is whether it is proper that Government of India should give up their central source of revenue and then ask other Provinces to make up for that deficit and lose their source of revenue. The other question that will arise in this connexion is the relief to be given to Bihar. No one disputes that Bihar requires relief. When this Province was placed in a similar situation and when appeals were made to the Central Government to give relief to it, the Central Government raised the bogey of Meston Award and said that when that award was accepted by all, the Government of India would not be able to come to the relief of this Province. I refer to an instance which took place in our own Province in 1924 when there was great damage in many parts of this Province owing to heavy floods, this Government approached the Central Government for relief by a certain amount of financial help. This Government is said to have been told that they should cut their coat according to the cloth, that they could not override the principles of the Meston Award, that they must rest content with it and that, therefore, they must do what best they could do. Now out of the liberality of the Government of India's policy to-day, they are able to realize in addition to the central source of revenue some other revenues and also are able to give relief to Bihar, not from their own funds, but from excise duties levied throughout India. In connexion with this the Hon. the Finance Member of the Government of India has said that they make half grants to the Bihar Government to rebuild Government buildings and to repair canals and irrigation works, while the Bihar Government should find the other half. In other words it is an ordinary grant-in-aid that is given to Bihar from out of the funds raised from excise revenue. Now is it open to the Government of India to aid a particular Province, not from its own funds or from its own resources, but changing the source and charging the other Provinces to bear that burden? So far as jute is concerned, no doubt we find in the distribution of the Provincial and Central

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subjects, power is reserved, to the Central Government, in the Devolution Rules to transfer a Provincial subject to a Central subject and vice versa. Apart from that, the question which I raise in regard to this is whether the Central Government in the present instance can charge the whole of India for the sake of benefiting a particular Province. The Hon. the Finance Member of the Government of India has said that the circumstances of Bengal are very special, that owing to unexpected conditions prevailing in Bengal that Province has not been able to balance its budget—not only balance it, but end it with large deficits—that it has been so for the last two or three years and the accumulated deficits alone come up to 5 crores of rupees and that therefore it is an urgent necessity for the Government of India to come to the relief of Bengal. The Hon. the Finance Member of the Government of India has also stated that the Bengal Legislative Council has tried all the sources available for the purpose of raising revenue but failed and that therefore it is a case made out for the intervention of the Government of India. I am afraid that this is an over-estimate on the part of the Government of India. Let us take the land revenue or the excise policy followed by the Government of Bengal and compare it to that followed in our own Province. Do they follow all the conditions that are necessary for securing as much revenue as possible? They do not. A large amount of revenue could be realized by the adoption of correct methods of collecting revenue. Therefore while sources of revenue are available to particular Provinces, they are not utilized adequately, either for political reasons or on other grounds. Therefore such Provinces are not entitled to derive any benefit from other Provinces for the reason that they do not help themselves. This is a very serious question because it is one which may arise to-morrow in regard to other Provinces. As I have already mentioned, when this Province approached Government for relief being given on account of damages caused by floods, that Government refused to do so. If there is any change of policy now on the part of the Government of India, it has to be announced that hereafter Meston Award will no longer be carried out. To that extent no doubt it was stated in the Round Table Conference and adopted in the White Paper. It is admitted by the British Government in their proposals and it is made obligatory on the part of the Federal Government to render help to Bengal and Assam from out of Federal revenues, namely, jute."

12-45 P.m. Mr. ABDUL HAMEED KHAN:—"Are we now discussing the whole of the Imperial financial policy or only the policy of imposing excise duties on sugar and matches, Sir?"

* The Hon. the PRESIDENT:—"The hon. Member is evidently trying to show the far and near causes of these duties."

Mr. ABDUL HAMEED KHAN:—"More far than near, Sir."

Rao Bahadur Sir A. P. PATRO:—"My hon. Friend will not have the good sense or the reasonable spirit to wait till a Member completes

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his speech. I would not characterize his interruption just now otherwise than as that it shows that the hon. Member should learn better political attitude.

“ All that I have been trying to make clear is that these two duties are sought to be imposed by the Government of India, not for their own purposes, but for the purpose of helping some provinces. This Council, if it is reasonable enough to understand the whole question, will see that such a course amounts to throwing the Meston Award into the melting pot. This point is more important than the point about making 20 per cent and 40 per cent profits. The sugar duty has been imposed by the Government of India with a view to help Bihar. The resolution before the House says that the duty is undesirable and prejudicial to the interests of this Province. We will have to consider the question on its merits. Sir, I do not think that the duty is very undesirable, nor is it very prejudicial to the interests of the Province. Of course any excise duty will be considered undesirable by the people who are affected by it. Now what are the facts? In 1930-31, the duty on imported sugar yielded a sum of Rs. 10 crores and to-day the Budget shows an income of only Rs. 2 crores under the same head. For the next year, the amount is estimated to be much less still. Therefore we have got to take stock of things and see what is this fall due to and who is profited by the duty—the producer or the consumer. We have had reports from Northern India that the sugar factories in that part of the country have been declaring 40 and 50 per cent dividends. These high dividends have attracted other people to this industry with the result that many mushroom mills have been established and there is a danger of over-production to such an extent that the whole industry will be spoilt. What has happened in the case of the rice-mill industry in our own Province and the bus-transport industry threatens to happen to the sugar industry also. In the case of the rice mills what happened was, attracted by the good profits made by the early millowners a number of mills were started, one for a village or group of villages, with the result that later on many of them had to close down for want of work. There is the same danger of over-production of sugar which the Government of India have to guard against. It has been suggested that so far as Madras is concerned, we have only a few factories; but let us look at the question the other way. Out of 48 million tons of cane grown in India only one-twelfth of it goes to the factory and all the rest is consumed in the making of jaggery and in other ways. It is only a very small proportion that goes to the refining factory. Therefore when the factories are able to declare 40 and 50 per cent dividends on account of these protective duties, and when the Government is losing enormous revenue, we have to see whether the cane-grower is benefited in any way. The Hon. the Finance Member has said that there are three main considerations with regard to this sugar duty. The first is the

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danger of continuing a stimulus which is in excess of what Government decided to be necessary as a measure of protection. The second is the need to insure that the agricultural producer gets his full measure of benefit out of the policy of protection and the third is the replacement of the revenue losses which represents the cost to the general public of India of giving protection to a limited number of manufacturers. Therefore, Sir, we have to consider whether this sugar excise duty gives any protection to the cultivator. It has been pointed out that, if we check the unhealthy competition that may arise among sugar factories, the underselling and underbidding by factory may not arise, it will have the effect of keeping up cane prices although a minimum price is fixed for cane. But unless a minimum price is fixed at which a ton of cane can be purchased by factories, the producer will not at all be benefited by this duty. As regards the consumer, the small factories can all combine together, eliminate competition and thus keep up prices. Therefore, from the point of view of the consumer as well as of the producer, it is necessary that there should be some control over the production of factory sugar so that over-production may be avoided. The excise duty, in my view, should not be as high as it is proposed now, but should be reduced. Then it will not be prejudicial to the sugar industry in this Presidency. The reason is this. I have been discussing this question of sugar duty with some Indian friends and they told me they expected a margin of profit of Rs. 3 per bag of 168 lb. The imposition of the excise duty will reduce that profit by Re. 1-5-0, but there will still be a profit of Rs. 1-11-0 per bag. Therefore, there is absolutely no fear that the industry will suffer, that the nascent industry will suffer since there will be a profit of Rs. 1-11-0 a bag. The industry will continue to thrive if only the people concerned manage things in a businesslike way. If they have business acumen, business capacity and experience, they will thrive. A good deal of circumspection should be used to survey and find out a proper place for the location of the mills. There should be plenty of raw materials available near at hand, and the place should be easily accessible by rail or by canal. The industrialists should study the markets and find out where their produce will fetch the best price. If all these things are done, they will not come to grief. Therefore, as I have said before, I do not see any great danger to the sugar industry from the excise duty.

“Then there is another point. Out of the sums collected by way of this excise duty, one anna in the rupee is to be given as grants-in-aid to sugar producing Provinces to enable them to start co-operative societies to help the cane-growers to get the best price for their cane. It is very essential that in considering the effect of this duty, we should not forget the actual cane-cultivator and the consumer. The capitalist may cry hoarse that he is not making the same large profits he was making before the imposition of this duty, but these large

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profits did not in any way benefit either the consumer or the cane-grower. Therefore, every care and attention must be paid to see that the interests of the cane-grower is looked after. From the way in which the duty has been proposed in the Legislative Assembly, we can be sure that proper steps will be taken to safeguard the interests of the cane-grower.

“ As regards the excise duty on matches, I do not think we need be very anxious about it in this Province. All that we have got in the way of match industry in this Province is in the hands of foreigners. In order to avoid the import duty, foreigners have come here with their capital and started factories. The biggest factory here is financed by foreign capital and it is not an indigenous factory. Again, Sir, it can hardly be a cottage industry. The Hon. Sir George Schuster has stated in the Assembly that it is not correct to characterize this industry as a cottage industry. The mere dipping of the splints in the chemicals and the pasting of papers on the boxes in the cottages will not make the industry a cottage industry as all the other processes are gone through in a factory. Therefore, this industry is hardly a cottage industry in the sense in which it is understood generally. Therefore the excise duty will only affect foreign companies which have come over to our Province and started factories. And there are not many factories even which are affected. It is said that on the West Coast there are many factories, but they are most of them in Travancore and Cochin and only a few in British India. Their cases may be dealt with separately according to the treaties between them and British India.

“ So far as the sugar excise duty is concerned, I should say it appears to be excessive and might be modified if possible. But when I say that, I must also say that it is not quite prejudicial and that it is not undesirable. The duty is desirable in order to afford relief to distressed Bihar. It is desirable, that the Provinces should contribute to the relief of the Central Government when the Central finances are not in a good condition. But I have raised a preliminary question which is a constitutional question of importance and has to be considered by the Government of India before they finally dispose of this matter.

“ In regard to the match industry, nobody will suffer even though there is an increase of a pie or two in the price of matches. If the money raised is going to relieve a distressed Province which is practically at the breaking point, I do not see why we should cry hoarse over it, especially when the match industry is not going to be materially affected by it. I say it will not affect prejudicially the interests of this Province, as the industry is mainly—I use the word ‘ mainly ’ very carefully and advisedly—mainly financed by foreign capital and conducted by foreign agencies in South India.”

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* Mr. SAMI VENKATACHALAM CHETTI:—“ Mr. President, I consider it is a matter of the utmost importance that this Council has been enabled to discuss an important inter-provincial matter or a matter of national importance. Sir, the time has come when the industrial and economic policy of the Government of India will become more and more the subject of discussion in the Provincial Councils, and inter-provincial jealousies will be the order of the day. Sir, this Province has sacrificed a lot on account of the protective policy of the Government of India for the purpose of encouraging Indian industries. We have done so on the high ground of benefiting the country and the nation as a whole. But I should say, Sir, that other Provinces have taken very great advantage of our willingness to help in this big national work. When the time came for encouraging some small industries which had just been started in our Province, it is a pity that the Government of India, advised and dominated perhaps by Members of Northern Indian Provinces, treated the claims of Madras in a cavalier and light-hearted manner. The Madras Government is partly responsible for this continued neglect of the economic condition of this Province, because successive Finance Members were zealous of attempting to balance the Budgets with increased taxation and reduced expenditure on projects which would improve the economic condition of this Province. Unfortunately our Finance Members have been more attentive to see that more money is collected than that expended upon nation-improving works. Therefore, the Government of India would always look towards the direction of the Madras Government for making up their deficits and for levying unnecessary contributions on the revenues of this Province. We have paid a lot of money by way of Provincial contributions on account of our savings and on account of continued increased taxation which we exact from our poor peasantry. Even after these contributions have been stopped, we have been consistently balancing our Budgets by starving Part II Schemes and by starving all big irrigation and other developing projects. The Government would now again take this opportunity of punishing the Madras Government and the Madras people for their economic way of doing things. Therefore, the Madras Presidency is asked to agree to the protection that is being given to the industry that is flourishing in Northern India and by which Northern India alone would benefit. Apart from that there is the big question which we have to face one time or other, namely, the imposition of excise duty on sugar and matches; this is a thunderbolt as described by one hon. Member of this House. I suppose many of us have not forgotten the day when we were told that the sugar industry has got a very bright future and that this Province, which has been backward in this particular matter, may take this occasion of developing the sugar industry to its fullest extent. So much so, persons who never thought of this industry, turned to this seemingly profitable investment and raised big capital for launching upon sugar industries and factories. It is a pity that even before the completion of some of these factories, even before some factories

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set to work, the Government of India have imposed this excise duty and it would practically kill the industry. Sir George Schuster evidently forgot that he was anything but fair to the Madras Province in imposing this excise duty which practically hits the Madras Province more than any other Province. It is well known that Bihar and some portions of Northern India are well up in sugar industry. In Madras it is only just now that we are trying to raise our heads with regard to this industry and develop it. Sir George Schuster seems to justify this imposition on two or three grounds. In the first place he doubts whether the large difference between the value of the imported sugar and the manufactured sugar is going to the benefit of the cane-grower. Therefore he would pass some legislation in order that the cane-growers' interests are not jeopardized. I am afraid that Sir George Schuster is banking upon the indifference of the Madras people to settle industrial questions. It is difficult to believe that any legislation would help the cane-grower to the fullest extent. After all, trade questions will have to be decided by competition. Whatever may be the legislation, it will be easy for people to circumvent these rules and laws and find a sale for their produce. One is not going to wait—nor will he have the stamina to do so—till the operation of the laws and regulations will bring him the price fixed under law. It is easy therefore to get from the purchaser the required quantity at a lower price than that the law would impose. Therefore I do not believe that any legislation is going to help the cane-grower. If Sir George Schuster thinks of this legislation in order to give the full benefit to the purchaser, it is only to get the support of the cane-grower for this imposition of excise duty. Granting that the sugarcane-grower will get the full price laid down by law, what does it amount to when the manufacturer is unable to get the full price for his sugar and when he is obliged to pay the full price to the cane-grower; no other effective method is necessary to kill that factory. It will be doing a double wrong to the factory owner, if he is asked to pay the full price that is laid down, to the cane-grower and if he is not able to get the fullest benefit for the manufactured article on account of the imposition of this excise duty. The Tariff Committee recommended a particular rate having regard to the rate prevailing in Java for the imported sugar. It is well known that the price of this article in Java has fallen considerably down from that that was taken into consideration by the Tariff Board when fixing the rate. Sir George Schuster justifies this imposition on the ground of the necessity to make up for the loss of customs revenue which resulted from the levy of very heavy protection duties against the imported sugar. I am afraid that Sir George Schuster has forgotten what he said some time ago. He said that the loss of customs revenue on account of imported Java sugar, was more than compensated by the increased duty on the imported machinery which were purchased for these factories. If there is any balance, that will be compensated by the income-tax which these factory-owners will have to pay. Therefore the bogey that is raised now by Sir George Schuster that the loss

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of customs revenue should be compensated by the sugar manufacturers cannot stand to reason; he, of all persons, must have known that the loss was more than compensated by other means, namely, by the imposition of duty upon machinery and by increased income-tax. Sir George Schuster says he is speaking on behalf of the consumer. If the rate on sugar before the war and to-day is taken into consideration, it cannot be said that the consumer has been much affected. The pre-war price was Rs. 10-8-0; to-day it is considerably lower. Therefore the specious plea that Sir George Schuster puts forward on behalf of the consumer cannot at all be taken into consideration. It is a pity that Sir George Schuster, in his zeal to please the other Provinces at the expense of Madras which is at a very great distance from the seat of the Indian Government, has forgotten even the interest of the Government. The Madras Government have launched upon big irrigation projects involving large sums of money and it is desirable that those projects should be able to pay the interest which the Madras Government have to pay to the Central Government for loans. If the sugar factories come to a stand-still on account of this unwise policy, even the Government and the Province stand to lose a considerable amount.

“Moreover, in the matter of these excise duties and customs I am afraid the Government of India forgot the existence of Indian States which are still independent of the Government of India in such matters. The result of levying the excise duty on British Indian commodities, while the Indian States are free from this duty, can be easily imagined. It will be disastrous; there will be considerable smuggling and we must have increased establishment for preventing smuggling and other perturbations in the ordinary avocations of life.

“It is pleasant news to hear that the Madras Provincial Delegation will be meeting the other provincial delegates to discuss several economic matters affecting the Provinces and I am told that that Delegation will consist of the Hon. the Revenue Member, the Hon. Minister for Development and the Finance Secretary. Wise men as they are, I do not dispute their authority to discuss these matters; but I should very much like that they should be assisted by persons who are either in the commercial or the industrial line. They need not be delegates to the Central Delegation; they can be at least advisers behind the benches to explain the difficulties which the industrialists and commercial men suffer under.

“One more point I would like to mention which has been referred to by one or two speakers, that is with regard to the amount realized by the sale of the waste-product molasses. In Java it may fetch a sum of Rs. 1-8-0 per maund; in India it has no value at all. Apart from the question of molasses, there is the question of railway freight. as against the steamer freight from Java to any port in India. The distance between Java and Madras is 2,500 miles—to any port in British India. The steamer freight for this distance of 2,500 miles is equivalent to the railway freight for a distance of 150 miles only. If

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sugar manufactured either at Bihar or in Northern India is to come to Madras—say about 1,000 or 1,500 miles—the railway freight would be 10 times the steamer freight from Java to any port in India. That is a factor which is very much against the Indian industries. Until the factories and industries in the Madras Presidency come up to the level of manufacturing sugar required for this Province, we have necessarily to depend upon the sugar manufactured in Bihar and Cawnpore. Therefore the amount that Madras consumer pays to the imperial revenues either by way of railway freight or by way of excise duty or by additional income-tax or by way of duty on imported sugar will be greater than any number of items which are contributed by other provinces to the central revenues. All these things are sought to be justified on the ground that we should render succour to Bihar in her very sad plight. I do not know whether Sir George Schuster wants to make Madras appear cruel and not sympathetic to Bihar if we should be haggling over this excise duty. It is not a question of giving a subvention or giving a contribution to Bihar in her sad plight. If that should be the case, I may say the people of the Madras Presidency have already contributed to the extent to which their wealth and their economic condition allow. If necessary, and if permissible, perhaps even the Government of Madras may contribute a certain sum of money for this purpose in view of the sad plight in which Bihar is now placed. But, surely, that ought not to be put as a reason for settling an economic question, a question which would permanently kill the nascent industries of this Province.

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“Sir, I am sorry in this connexion that the Hon. the Chief Minister did not rise to speak. Having taken some interest in launching a big sugar industry, I dare say he would have been in possession of many facts and arguments which could be adduced against the imposition of an excise duty on sugar. And surely, he would have put those facts and arguments much better and more impressively and they would certainly have carried more weight with the Government of India when this matter comes up for discussion.

“With regard to matches, Sir, I have only got to say one or two words. I understand that the average consumption of matches by an individual is about half a gross per year, and perhaps for a small family it may be a gross per year. Therefore, an additional duty of Rs. 2-4-0 on a gross is not going to individually affect the people. Therefore, it is not from the consumer's or the user's point of view that I object to the imposition of excise duty on matches, but it is from the point of view of the industry. Match manufacture has become a cottage industry in Southern India. There are very many families who have taken to manufacturing matches. Of course, there is a large importation of foreign-manufactured matches also. The Burma company and the Wimco are two competing firms in Southern India, and I do not think the profits of these two companies on account of severe competition are very much; but the difficulty of levying the excise

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duty on matches without raising the duty on foreign matches will be that there will be an invasion of foreign matches in the near future into South Indian ports. Japan is always waiting to dump her goods at any cost on us, and it is only a very high protective duty on foreign matches that has not encouraged such imports. It is not quite accurate to say that there has been no import at all of foreign matches. There has been some. As a matter of fact, we see here and there Swedish matches; but ordinarily those matches cannot compete with Indian matches on account of foreign import duties. Now, even that is discounted by the imposition of the excise duty, and naturally the tendency will be that you will have to pay more and more for matches, thereby killing the industry in the big factories and in the small homes. From that point of view, I consider this excise duty as a very serious danger to the small cottage industry in Southern India.

“One has got to infer both from the speech and the action of the Hon. the Finance Member of the Government of India that the interests of Madras are least considered by him. Apart from the somewhat strong language used by our hon. Friend, Diwan Bahadur Ramaswami Mudaliyar, in the Assembly, there is certainly a good deal of truth in his criticism about the other Provinces. Whenever Bombay wanted anything, whenever Bengal wanted anything, they created such a ring amongst themselves that they were able to extract something from the Government of India. But, so far as Madras is concerned, it has always been the Cinderella of the Central Government and it is surprising that the Central Government which is presided over by no less a person than His Excellency Lord Willingdon who has been the Governor of Madras should continue to adopt the same policy now. I hope, Sir, that the Delegation which is going to start from Madras will impress upon the Government of India the keen feeling and the sense of disappointment of the Madras Province in regard to the taxation proposals of the Government of India and also in regard to the rejection of the legitimate and reasonable and proper requests of this Province.”

* The Hon. Sir HOPETOUN STOKES:—“Sir, as the House is of course aware, the subject of this resolution is a Central subject which falls within the purview of the Central Government and the Legislative Assembly. The Government have, however, felt that on a matter of this kind, it would be desirable that the House should have an opportunity of placing its views on record. They have however decided that the Government themselves should be neutral on this subject, and the proceedings of the House on this subject will be forwarded for the consideration of the Government of India. I therefore do not propose to take any part in the debate on the merits of the question beyond explaining to the House and to you, Sir, the attitude which the Government have proposed to adopt.”

* Rao Bahadur A. T. PANNIRSELVAM:—“Mr. President, Sir, clubbing together in one and the same resolution both the excise duty

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on sugar and that on matches, appears to me to cloud the issue. The circumstances attendant on the two industries are altogether different. For one thing, sugar is dependent essentially on the cultivation of sugarcane in agriculture; while the question of matches and match-making stands on quite a different footing, all its own. The manufacture of sugar can be carried on only in large factories set up with a fairly large capital, while matches can be manufactured, as pointed out by certain Members, even in cottages. Match-making is, in its usually accepted sense, a cottage industry, and it is utilized as a source of supplementing the income of the agriculturist. Therefore, Sir, different considerations come into play when we deal with the excise duty on sugar and with that on matches. From the point of view of this Province, it seems to me that regarding the excise duty on matches, we should enter our most unqualified protest against the imposition of this excise duty. One finds, turning to page 102 of the Administration Report, that—

‘The general economic depression curtailed the consumption of matches, though at the same time it encouraged the production of cheaper qualities of matches. The indigenous industry now supplies the full requirements in South India, imports having ceased.’

“In this state of affairs, it seems to me that by the imposition of a further excise duty on matches, we in Madras, especially, are subjecting ourselves to a new form of taxation, the benefit of which would go to other Provinces, as was pointed out by Sir A. P. Patro. And in the words of the representative of the European Association in the Legislative Assembly, I may state that every Madrasee, whenever he strikes a match, would feel that he is contributing towards the finances of Bengal. Apart from the injustice of one Province being taxed for the purpose of meeting a deficit in another Province, the imposition of a fresh duty like this would have a strangling effect on the industry in this Province itself. Of course, it might be stated that there are no more imports of matches and therefore we need fear no competition from outside; but the imposition of this new excise duty on a nascent industry, an industry which has developed to the extent of being self-sufficing for our own Province, might encourage the imports once again, with the result that the industry might not enjoy the same prosperity as it has been doing hitherto. It was being said that the match industry in our Province was carried on with foreign capital, for the time being; but there is no gainsaying the fact that the foreign capitalized factories alone do not meet all our requirements. There are a few Indian factories, and there are the people who make this an additional source of income to them, by manufacturing matches in their own homes. Personally speaking, Sir, I should welcome a small cess imposed by the Local Government for the purpose, if need be, of controlling the trade and seeing to it that only the very best articles were put on the market. But that we should be taxed by the

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Central Government for meeting the deficit in some other Province—because that is what it comes to—seems to me to be a piece of injustice.

“ The question of duty on sugar, however, Sir, seems to me to stand altogether on a different footing. The excise duty on sugar will have to be borne mostly by the bigger factories, factories which will be brought into existence or which have already been brought into existence by capitalists. It seems to me that these well-capitalized institutions do certainly not deserve our sympathy. Our past experience has been that circumstances are exploited by these big capitalistic institutions and the method they adopt for carrying on their business is not certainly conducive to the prosperity of the people. We might remember how during the war period these big cotton mills in Bombay and other places, were returning a stunning dividend of 25 per cent and 30 per cent, while the price of cloth to the poorer people was much higher than ever before. Having exploited us in those days, to-day because of competition from Japan and other countries, they squeal and raise the slogan of ‘ Buy Indian.’ I do not want the same slogan to be repeated in the case of the sugar industry. I would certainly be in full sympathy with this resolution if, side by side with this excise duty being removed, we could get a guarantee that if profits accrued from the trade, they would be shared evenly and fairly between the manufacturer and the agriculturist. I find, Sir, that the Hon. the Finance Member of the Government of India, has proposed that, side by side with the imposition of this excise duty, there should be some institution created which will control the trade to a certain extent and also regulate the prices. When it comes to a choice of having to give up the excise duty or to give up that controlling institution, I should certainly prefer the excise duty being there, so that the profits of the excise duty may be utilized for the purpose of regulating the trade so as to ensure an equitable distribution of the profits which accrue from the sugar industry between the manufacturer and the agriculturist. Because, Sir, barring such a course, there seems to be no possibility at all of these large profits which are anticipated, going to the poorer people.”

* The Hon. the PRESIDENT:—“ There are several other hon. Members desirous of speaking on this resolution; but the time allotted for the discussion of this resolution being over, I have to put it to the vote of the House.

“ The question is—

‘ that this Council is of opinion that the imposition of an excise duty on sugar and matches is undesirable and that it is prejudicial to the interests of this Province ’.”

The resolution was carried.

The House then adjourned for lunch.